

WOODFORD COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2003

WOODFORD COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2003

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Notes to the Basic Financial Statements	21-39
Supplementary Information:	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	41

WOODFORD COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS - CONTINUED

YEAR ENDED JUNE 30, 2003

Combining Statements - Activity Funds:

Combining Statement of Assets, Liabilities and Due To/From Other Student Groups - Activity Funds.....	42
Combining Statement of Revenues, Expenditures and Changes in Due To/From Other Student Groups - Activity Funds	43
Statement of Revenue, Expenditures and Changes in Due To/From Student Groups - Woodford County High School.....	44-45

Budget Comparison Schedules

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	46
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	47

Schedule of Expenditures of Federal Awards.....	48
--	-----------

Notes to the Schedule of Expenditures of Federal Awards	49
--	-----------

Schedule of Findings and Questioned Costs	50-51
--	--------------

Schedule of Prior Year Audit Findings.....	52
---	-----------

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>.....	53-54
---	--------------

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	55-56
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Management Letter Comments.....	57-66
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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Woodford County School District
Versailles, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Woodford County School District as of June 30, 2003 and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note B to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2002. This results in a change in the format and content of the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 12, 2003, on our consideration of Woodford County School District's internal control structure and a report dated September 12, 2003, on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on pages 40 through 43 is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 48 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 3 through 10 and 46 through 47 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Carpenter, Mountjoy & Bressley, P.S.C.

Lexington, Kentucky
September 12, 2003

**WOODFORD COUNTY PUBLIC SCHOOL DISTRICT – VERSAILLES, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2003**

As management of the Woodford County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$4.4 million.
- Following the completion of the district long-range plan for facilities, there is a focus on constructing a new middle school to accommodate grades six through eight. The Board authorized issuance of \$17.8 million in bonds for said project, in addition to a \$972 thousand cash outlay for the purchase of 34.739 acres of land for a building site. Construction commenced in May of 2003, with an anticipated occupancy date of August 2004. Future use of the existing middle school will be determined at a later date. Additional building fund revenues were retained for future capital construction projects.
- Due to the decline of interest rates, General Fund interest income fell \$54 thousand; that represents a seventy-one percent decrease in investment income.
- During fiscal year 2003, the district profited from the identification of a previously unreported distilled spirits operation within the county. The collection of retroactive taxes on that operation yielded an additional \$443 thousand in revenue, or 5.06 times the norm.
- An unusually severe winter and lengthy summertime drought resulted in increased utility tax revenues.
- During fiscal year 2003, the district felt little impact of the declining economy, other than the reduction in interest income. However, we anticipate flat to falling revenue by fiscal year 2004.
- The district remains committed to increasing starting teacher salaries to be more competitive with surrounding districts. All employees received an across-the-board increase of 2.7%, plus experience increments.
- The General Fund had \$16.8 million in revenue, which primarily consisted of the state program (SEEK), and property, utilities usage, and motor vehicle taxes. There were \$16.3 million in General Fund expenditures, excluding interfund transfers.
- Bonds are issued as the district renovates and builds new facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education's (KDE) stringent compliance regulations. The district's total debt increased by \$17.2 million during the current fiscal year, due to a new middle school project, which is currently under construction.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and support. School Activity Accounts are considered fiduciary accounts under GASB 34. The only proprietary funds are food service and day care operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10 million as of June 30, 2003.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2003

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader; however, the district looks forward to offering comparative data in the future.

Assets:	
Current Assets	\$22,056,567
Non-Current Assets	<u>21,583,777</u>
Total Assets	\$43,640,344
Liabilities:	
Current Liabilities	\$2,265,413
Non-Current Liabilities	<u>30,478,277</u>
Total Liabilities	\$32,743,690
Net Assets:	
Investment in Capital Assets (Net of Debt)	(\$10,059,360)
Restricted	17,001,739
Unreserved Fund Balance	<u>3,954,275</u>
Total Net Assets	\$10,896,654

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- Construction costs that were not been fully expended on June 30, 2003 resulted in excess construction fund cash and corresponding capital asset debt. Upon completion of the project in 2004, the resulting increased value of the building asset will offset the bond debt.
- The district implemented GASB 34 and recorded fixed assets and debt for the first time in 2003.

Comments on Budget Comparisons

- The District's total governmental fund revenues for the fiscal year ended June 30, 2003, net of interfund transfers and bond proceeds, were \$22 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$950 thousand more than budget. This was attributable primarily to increased local tax revenue, including the retroactive assessment and collection of distilled spirits taxes.
- The total cost of all programs and services was \$21 million, net of debt service, bond proceeds, and interfund transfers.
- General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual balance being \$500 thousand less than budget, exclusive of contingency. District administrative support budget to actual expenditures varied by \$1 million, due to preservation of contingency funds.

The following table presents a summary of revenue and expense for all funds for the fiscal year ended June 30, 2003.

	<u>Amount:</u>
Revenues:	
Local Revenue Sources	8,197,177
State Revenue Sources	8,505,162
Federal Revenue Sources	12,479
Investments	<u>96,191</u>
Total Revenues	\$16,811,009

Expenses:	
Instruction	\$10,419,146
Student Support Services	582,777
Instructional Support Services	596,306
District Administration	612,951
School Administration	903,812
Business Support	233,028
Plant Operations & Maintenance	1,704,050
Student Transportation	1,045,209
Central Office Support	159,678
Community Services	49,757
Other Expenses	<u>1,190</u>
Total Expenses	\$16,307,904

Revenue in Excess of Expense *	\$503,105
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* Includes \$16.3 million in remaining bond proceeds for construction project in process.

Total Actual Revenue for the General Fund - Chart 1.

The majority of actual revenue for the General Fund was derived from local (49%) and state funding (50%).

Categories of General Fund Budget Expenses - Chart 2.

Site Based Decision Making Councils were allocated \$10.8 million of the general fund budget. Of the Non-SBDM funds, 42% was budgeted to provide district-wide instruction initiatives, including services for our gifted/talented and limited English proficient populations, as well as children with special needs. A breakdown of all expenditures by category is found on chart 2.

General Fund Budget Expenses by Function - Chart 3.

Instruction and School Support Services accounted for 74% of the general fund. An additional 20% was allocated for student transportation, plant operation and maintenance, and required contingency. Further detail is provided on chart 3.

BUDGETARY IMPLICATIONS

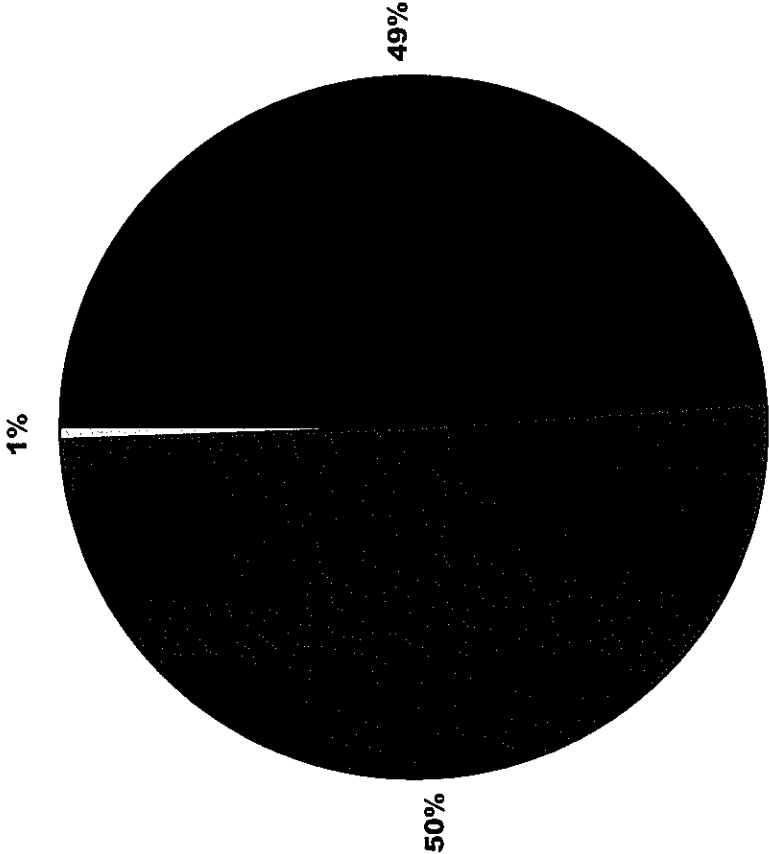
In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a budget with \$1.134 million in contingency. This represents 6% of the General Fund and 4% of the entire budget, exclusive of the Construction Fund, which maintains its own 5% contingency.

Significant Board actions that impacted the finances include a 2.7% pay raise, plus experience increments, for all employees, employment of district-wide science and technology resource teachers, funding of an Alternative High School, replacement of three school buses, and an allotment of \$1.7 million for facility repairs outside of bonded building and renovation projects.

In 2003, Woodford County Public Schools received a state grant titled Early Reading Incentive Grant. This grant was awarded in the amount of \$105,000. Its impact involved two elementary schools and their associated staff. It was in addition to a \$109,000 continuation grant from the prior fiscal year, which provided assistance to an additional elementary school.

Questions regarding this report should be directed to the Superintendent or to the Financial Manager/Treasurer by mail at 330 Pisgah Pike, Versailles, KY 40383.

TOTAL ACTUAL REVENUE-GENERAL FUND
CHART 1

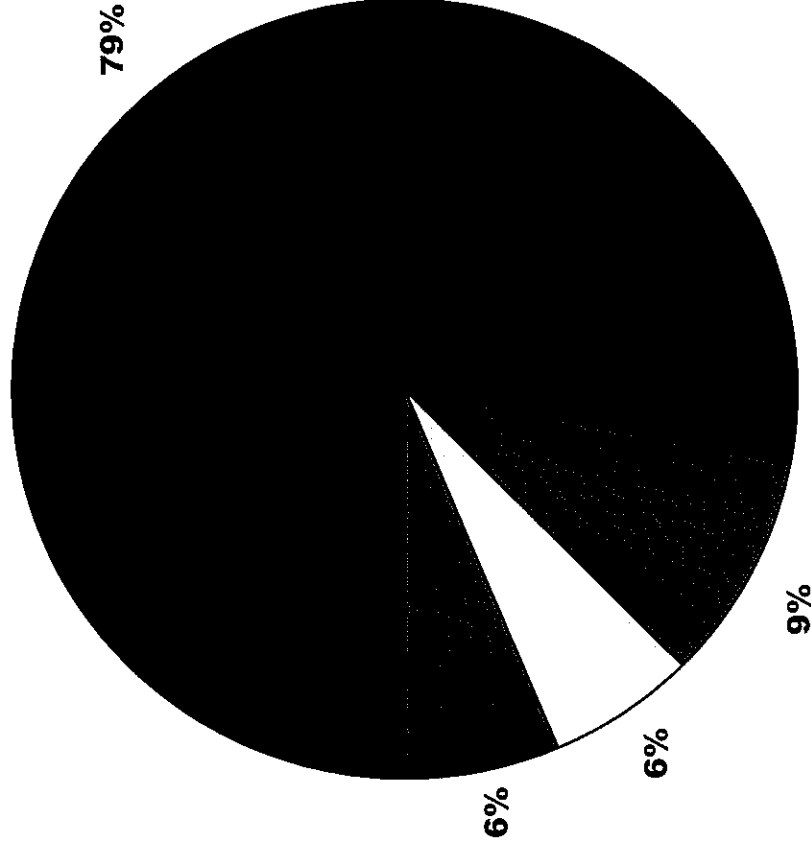


■ LOCAL REVENUE -
\$8,197,177

■ STATE REVENUE -
\$8,505,162

□ FEDERAL AND OTHER
REVENUE - \$108,670

GENERAL FUND BUDGET ALLOCATION
CATEGORIES OF EXPENSES
CHART 2

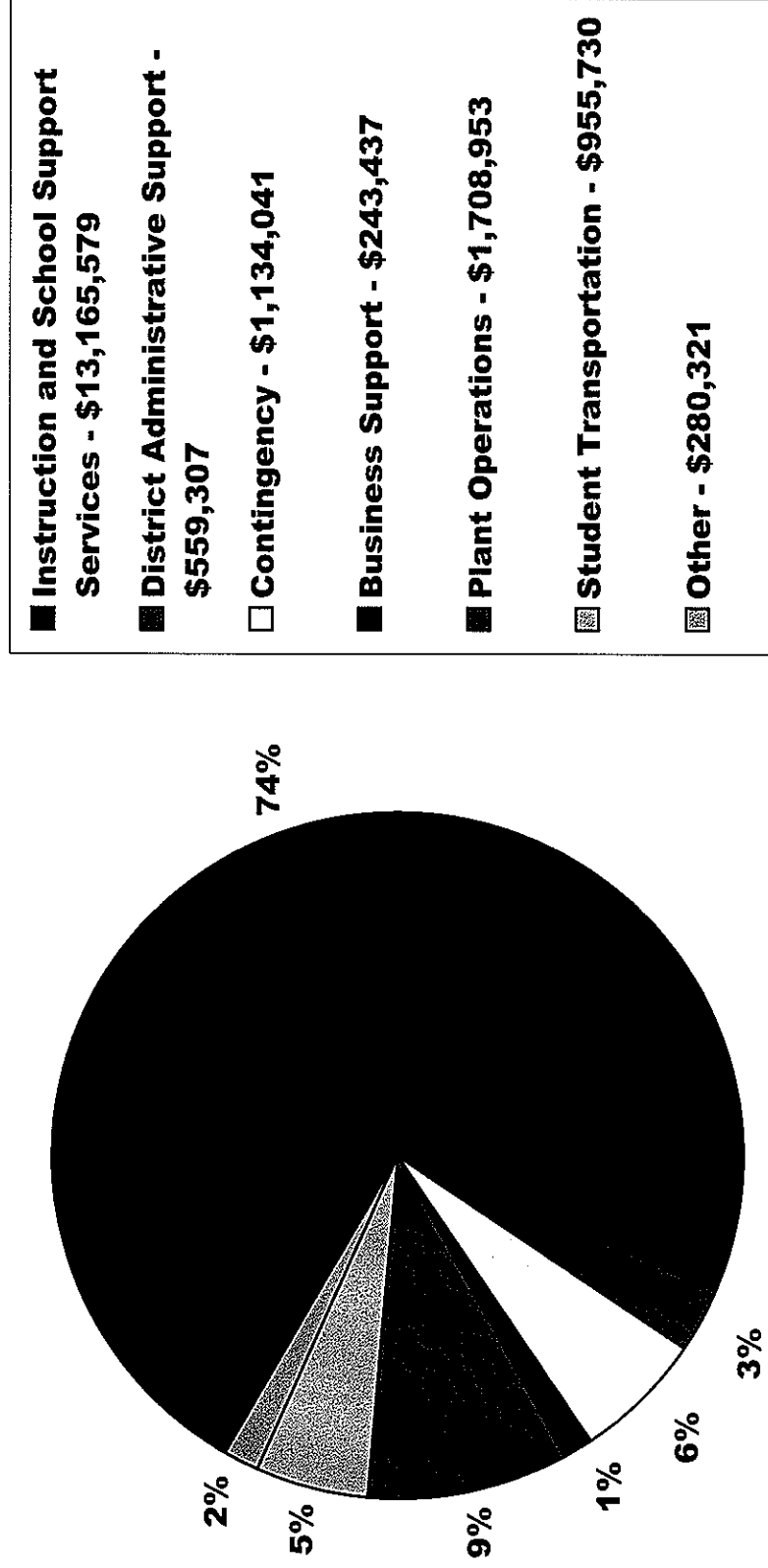


- Employee Salaries & Benefits -
\$14,099,975
- Books, Supplies, Equipment -
\$1,677,023
- Contracted Services & Other -
\$1,136,330
- Contingency - \$1,134,041

GENERAL FUND BUDGET ALLOCATION

EXPENSES BY FUNCTION

CHART 3



WOODFORD COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS

June 30, 2003

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and cash equivalents	\$ 4,417,534	\$ 137,736	\$ 4,555,270
Inventory	-	6,191	6,191
Investments	16,900,083	-	16,900,083
Accounts receivable			
Taxes – current	254,104	-	254,104
Taxes – delinquent	9,146	-	9,146
Accounts receivable	284,411	1,597	286,008
Intergovernmental – State	-	-	-
Intergovernmental – Indirect Federal	-	45,765	45,765
Total current assets	21,865,278	191,289	22,056,567
<u>Noncurrent Assets</u>			
Bond issue costs	309,642	-	309,642
Non-depreciable assets	2,159,264	-	2,159,264
Capital assets - net	19,016,167	98,704	19,114,871
Total noncurrent assets	21,485,073	98,704	21,583,777
Total assets	\$ 43,350,351	\$ 289,993	\$ 43,640,344
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	\$ 467,427	\$ -	\$ 467,427
Accrued vacation	121,458	-	121,458
Interest payable	205,829	-	205,829
Current portion of long-term obligations	1,075,000	-	1,075,000
Current portion of capital lease obligations	41,956	-	41,956
Current portion of accrued sick leave	72,606	-	72,606
Deferred revenue	281,137	-	281,137
Total current liabilities	2,265,413	-	2,265,413
<u>Noncurrent Liabilities</u>			
Noncurrent portion of long-term liabilities	30,180,000	-	30,180,000
Noncurrent portion of capital lease obligations	36,539	-	36,539
Noncurrent portion of accrued sick leave	261,738	-	261,738
Total noncurrent liabilities	30,478,277	-	30,478,277
Total liabilities	32,743,690	-	32,743,690
<u>Net Assets</u>			
Invested in capital assets, net of related debt	(10,158,064)	98,704	(10,059,360)
Restricted for:			
Capital projects	16,397,373	-	16,397,373
Debt service	164,985	-	164,985
Other purposes (nonexpendable)	439,381	-	439,381
Unrestricted	3,762,986	191,289	3,954,275
Total net assets	\$ 10,606,661	\$ 289,993	\$ 10,896,654

See independent auditor's report and accompanying
notes to financial statements

WOODFORD COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2003

FUNCTIONS/PROGRAMS

	\$	14,964,888	\$	36,384	\$	3,582,604	\$	-	\$	(11,345,900)	\$	-	\$	(11,345,900)
Governmental Activities:														
Instruction														
Support services:														
Student		696,085		-		-		-		(696,085)		-		(696,085)
Instruction staff		960,497		-		-		-		(960,497)		-		(960,497)
District administrative		634,126		-		-		-		(634,126)		-		(634,126)
School administrative		990,989		-		-		-		(990,989)		-		(990,989)
Business		253,080		-		-		-		(253,080)		-		(253,080)
Plant operation and maintenance		1,779,756		15,776		-		-		(1,763,980)		-		(1,763,980)
Student transportation		1,274,278		-		-		-		(1,274,278)		-		(1,274,278)
Central office		171,843		-		-		-		(171,843)		-		(171,843)
Facilities acquisition and construction		99,301		-		-		-		(99,301)		-		(99,301)
Loss on sale of asset		822		-		-		-		(822)		-		(822)
Food service operation		133,992		-		-		-		(133,992)		-		(133,992)
Community service activities		190,477		-		86,594		-		(103,883)		-		(103,883)
Interest on long-term debt		648,273		-		-		-		(648,273)		-		(648,273)
Other		1,190		-		-		-		(1,190)		-		(1,190)
Depreciation		1,396,981		-		-		-		(1,396,981)		-		(1,396,981)
Total governmental activities		24,196,578		52,160		3,669,198		-		(20,475,220)		-		(20,475,220)
Business-Type Activities:														
Food service and summer feeding		1,391,786		812,556		389,916		95,029		-		(94,285)		(94,285)
Daycare		82,025		90,731		-		-		-		8,706		8,706
Total business-type activities		1,473,811		903,287		389,916		95,029		-		(85,579)		(85,579)
Total primary government		\$ 25,670,389		\$ 955,447		\$ 4,059,114		\$ 95,029						

General Revenues:

Taxes:							
Property taxes	\$ 7,260,793	\$ -	\$ -	\$ 7,260,793			
Motor vehicle taxes	713,071	-	-	713,071			
Utility taxes	1,187,628	-	-	1,187,628			
Distilled spirits	552,384	-	-	552,384			
Proceeds from sale of assets	2,801	-	-	2,801			
State aid formula grants	11,547,653	-	-	11,547,653			
Investment earnings and adjustments to market value	71,669	3,457	-	75,126			
Miscellaneous	60,585	-	-	60,585			
Total general revenues and transfers	21,396,584	3,457	-	21,400,041			
Change in net assets	921,364	(82,122)		839,242			
Net assets - beginning	9,685,297	372,115		10,057,412			
Net assets - ending	\$ 10,606,661	\$ 289,993	\$ -	\$ 10,896,654			

See independent auditor's report and accompanying notes to financial statements

WOODFORD COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2003

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets and Resources:					
Cash and cash equivalents	\$ 2,848,572	\$ 22,112	\$ -	\$ 1,546,850	\$ 4,417,534
Inventory	-	-	-	-	-
Investments	-	-	16,838,945	61,138	16,900,083
Accounts receivable	254,104	-	-	-	254,104
Taxes – current	9,146	-	-	-	9,146
Taxes – delinquent	21,305	259,095	3,977	34	284,411
Accounts receivable	-	-	-	-	-
Intergovernmental – State	-	-	-	-	-
Intergovernmental – Indirect Federal	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Due from other funds	-	-	-	-	-
Interest receivable	-	-	-	-	-
Total assets and resources	\$ 3,133,127	\$ 281,207	\$ 16,842,922	\$ 1,608,022	\$ 21,865,278
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 21,808	\$ 70	\$ 445,549	\$ -	\$ 467,427
Accrued vacation	121,458	-	-	-	121,458
Current portion of accumulated sick leave	72,606	-	-	-	72,606
Deferred revenue	-	281,137	-	-	281,137
Total liabilities	215,872	281,207	445,549	-	942,628
Fund Balances					
Reserved for:					
Encumbrances	-	2,562	-	-	2,562
Retirement leave payable	334,344	-	-	-	334,344
SFCC offers of assistance	102,475	-	-	-	102,475
Unreserved:					
Undesignated, reported in:					
General fund	2,480,436	-	-	-	2,480,436
Special revenue funds	-	(2,562)	-	-	(2,562)
Building funds	-	-	-	1,546,850	1,546,850
Construction funds	-	-	16,397,373	-	16,397,373
Debt service funds	-	-	-	61,172	61,172
Total fund balances	2,917,255	-	16,397,373	1,608,022	20,922,650
Total liabilities and fund balances	\$ 3,133,127	\$ 281,207	\$ 16,842,922	\$ 1,608,022	\$ 21,865,278

See independent auditor's report and accompanying notes to financial statements

WOODFORD COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS**

June 30, 2003

Total fund balance per fund financial statements	\$ 20,922,650
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	21,175,431
Certain assets are not reported in this fund financial statements because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.	309,642
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(31,801,062)</u>
Net assets for governmental activities	\$ <u><u>10,606,661</u></u>

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended June 30, 2003

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources					
Taxes					
Property	\$ 5,631,349	\$ -	\$ -	\$ 1,629,444	\$ 7,260,793
Motor vehicle	713,071	-	-	-	713,071
Utilities	1,187,628	-	-	-	1,187,628
Distilled spirits	552,384	-	-	-	552,384
Tuition and fees	35,951	-	-	-	35,951
Earnings (expenses) on investments	96,191	96	(24,652)	34	71,669
Other local revenues	76,794	86,594	-	-	163,388
Intergovernmental – state	8,505,162	1,244,161	-	1,000,761	10,750,084
Intergovernmental – indirect federal	-	1,325,203	-	-	1,325,203
Intergovernmental – direct federal	12,479	-	-	-	12,479
Total revenues	<u>16,811,009</u>	<u>2,656,054</u>	<u>(24,652)</u>	<u>2,630,239</u>	<u>22,072,650</u>
Expenditures:					
Instruction	10,419,146	2,454,553	-	-	12,873,699
Support services:					
Student	582,777	9,906	-	-	592,683
Instruction staff	596,306	87,543	-	-	683,849
District administrative	612,951	-	-	-	612,951
School administrative	903,812	-	-	-	903,812
Business	233,028	-	-	-	233,028
Plant operation and maintenance	1,704,050	-	-	-	1,704,050
Student transportation	1,045,209	44,571	-	-	1,089,780
Central office	159,678	-	-	-	159,678
Facilities acquisition and construction	-	-	2,103,387	-	2,103,387
Community service activities	49,757	87,095	-	-	136,852
Food service operation	-	-	-	-	-
Other	1,190	-	251,142	1,725,348	1,977,680
Total expenditures	<u>16,307,904</u>	<u>2,683,668</u>	<u>2,354,529</u>	<u>1,725,348</u>	<u>23,071,449</u>
Excess (deficit) of revenues over expenditures	<u>503,105</u>	<u>(27,614)</u>	<u>(2,379,181)</u>	<u>904,891</u>	<u>(998,799)</u>
Other Financing Sources (Uses)					
Proceeds from sale of bonds	-	-	-	17,865,000	17,865,000
Proceeds from sale of fixed assets	2,801	-	-	-	2,801
Operating transfers in	-	27,614	18,837,692	1,256,800	20,122,106
Operating transfers out	(27,614)	-	(61,138)	(20,033,354)	(20,122,106)
Total other financing sources (uses)	<u>(24,813)</u>	<u>27,614</u>	<u>18,776,554</u>	<u>(911,554)</u>	<u>17,867,801</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>478,292</u>	<u>-</u>	<u>16,397,373</u>	<u>(6,663)</u>	<u>16,869,002</u>
Fund Balance, July 1, 2002, as originally stated	<u>2,618,643</u>	<u>-</u>	<u>-</u>	<u>1,614,685</u>	<u>4,233,328</u>
Prior period adjustment	<u>(179,680)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(179,680)</u>
Fund Balance, June 30, 2003	<u>\$ 2,917,255</u>	<u>\$ -</u>	<u>\$ 16,397,373</u>	<u>\$ 1,608,022</u>	<u>\$ 20,922,650</u>

See independent auditor's report and accompanying notes to financial statements

WOODFORD COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year ended June 30, 2003

Net change in total fund balances per fund financial statements	\$ 16,869,002
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	606,978
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net assets.	(17,865,000)
Bond accrued interest, capital lease payments and bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	1,018,702
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>291,682</u>
Change in net assets of governmental activities	\$ <u><u>921,364</u></u>

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2003

	Food Service and Summer Feeding Fund	Other Enterprise Funds	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 113,751	\$ 23,985	\$ 137,736
Inventory	6,191	-	6,191
Accounts receivable			
Taxes – current	-	-	-
Taxes – delinquent	-	-	-
Accounts receivable	104	923	1,027
Intergovernmental – state	46,335	-	46,335
Intergovernmental – indirect federal	-	-	-
Intergovernmental – direct federal	-	-	-
Total current assets	166,381	24,908	191,289
<u>Noncurrent Assets</u>			
Capital assets	453,851	-	453,851
Less: accumulated depreciation	(355,147)	-	(355,147)
Investments	-	-	-
Total noncurrent assets	98,704	-	98,704
Total assets	265,085	24,908	289,993
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	-	-	-
Accrued vacation	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Current portion of long-term obligations	-	-	-
Accrued sick leave	-	-	-
Total current liabilities	-	-	-
<u>Net Assets</u>			
Invested in capital assets, net of related debt	98,704	-	98,704
Unrestricted	166,381	24,908	191,289
Total net assets	\$ 265,085	\$ 24,908	\$ 289,993

See independent auditor's report and accompanying
notes to financial statements

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

Year ended June 30, 2003

	Food Service and Summer Feeding Fund	Other Enterprise Funds	Total
Operating Revenues:			
Lunchroom sales	\$ 802,862	\$ -	\$ 802,862
Other operating revenues	<u>9,694</u>	<u>90,731</u>	<u>100,425</u>
Total operating revenues	<u>812,556</u>	<u>90,731</u>	<u>903,287</u>
Operating Expenses:			
Salaries and wages	546,034	73,726	619,760
Materials and supplies	812,159	7,897	820,056
Depreciation	32,631	-	32,631
Other operating expenses	<u>962</u>	<u>402</u>	<u>1,364</u>
Total operating expenses	<u>1,391,786</u>	<u>82,025</u>	<u>1,473,811</u>
Operating income (loss)	<u>(579,230)</u>	<u>8,706</u>	<u>(570,524)</u>
Non-Operating Revenues:			
Federal grants	371,145	-	371,145
Donated commodities	95,029	-	95,029
Other revenue	723	-	723
State grants	18,048	-	18,048
Interest income	<u>3,457</u>	<u>-</u>	<u>3,457</u>
Total non-operating revenues	<u>488,402</u>	<u>-</u>	<u>488,402</u>
Net income (loss)	(90,828)	8,706	(82,122)
Net assets, July 1, 2002	408,932	16,202	425,134
Prior period adjustment	<u>(53,019)</u>	<u>-</u>	<u>(53,019)</u>
Net assets, June 30, 2003	\$ <u>265,085</u>	\$ <u>24,908</u>	\$ <u>289,993</u>

See independent auditor's report and accompanying
notes to financial statements

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year ended June 30, 2003

Cash Flows from Operating Activities

Cash received from:

Lunchroom sales	\$ 759,509
Government grants	484,222
Other activities	101,148

Cash paid to/for:

Employees	619,760
Supplies	805,129
Other activities	<u>1,364</u>

Net cash used by operating activities (81,374)

Cash Flows from Capital and Related Financing Activities

Purchases of capital assets (6,633)

Cash Flows from Investing Activities

Receipt of interest income 3,457

Net decrease in cash and cash equivalents (84,550)

Balance, beginning of year 222,286

Balance, end of year \$ 137,736

Reconciliation of operating loss to net cash
used by operating activities

Operating loss \$ (82,122)

Adjustments to reconcile operating income to net cash
provided by operating activities

Depreciation	32,631
Interest	(3,457)
Change in assets and liabilities	
Receivables	(43,353)
Inventory	15,031
Accounts payable	<u>(104)</u>

Net cash used by operating activities \$ (81,374)

Schedule of non-cash transactions:

Donated commodities received from federal government \$ 95,029

See independent auditor's report and accompanying
notes to financial statements

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2003

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 388,991
Accounts receivable	<u>6,799</u>
Total assets	\$ <u>395,790</u>
Liabilities	
Accounts payable	\$ 13,213
Due to student groups	<u>382,577</u>
Total liabilities	\$ <u>395,790</u>

See independent auditor's report and accompanying
notes to financial statements

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Woodford County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Woodford County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Woodford County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Woodford County Board of Education Finance Corporation – On December 10, 1990 the Board of Education resolved to authorize the establishment of the Woodford County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Woodford County Board of Education also comprise the Corporation's Board of Directors.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 41 through 42. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan. This is a nonmajor fund of the District.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a nonmajor fund of the District.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) Debt Service Funds
The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a nonmajor fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

- A. The Food Service and Summer Feeding Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

II. Proprietary Fund Type (Enterprise Fund) - continued

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

Basis of Accounting - continued

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2003 were \$.502 per \$100 valuation for real property, \$.505 per \$100 valuation for business personal property and \$.509 per \$100 valuation for motor vehicles.

The District levies a 3.0% utility tax on all businesses and households within the District.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of technology purchases for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accumulated Unpaid Sick Leave and Vacation

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Upon retirement or separation from the school district, an employee is also entitled to a payout of their accrued vacation. Vacation is accrued at varying rates depending upon length of service. The maximum vacation accrual is 327.99 hours unless the employee had already accrued more than 327.99 hours when the vacation policy was adopted.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Budgetary amendments are made during the year to reflect new revenue sources and the receipt of the District's growth calculation.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories

Inventory is stated at cost using the specific identification method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2003 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Investments

GASB 31 requires investments to be carried at fair value with unrealized changes being recorded in the statements of revenues, expenditures and changes in fund balance. The District invests in U.S. Treasuries, whose cost approximates fair value.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, capital leases, accumulated sick leave, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2003 the District has implemented GASB Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments".

This statement creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE B – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE – CONTINUED

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

The School District made several changes in accounting principles during the year. For governmental activities they began recording vacation liabilities and the current portion of the accumulated sick leave liability. These changes bring the District's funds into compliance with the fund classifications and requirements of GASB 34.

Restatement of Fund Balance – The restatement for the above changes and the transition from governmental fund balance to net assets of the governmental activities is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balance June 30, 2002	\$ 2,618,643	\$ -	\$ -	\$ 1,614,685	\$ 4,233,328
Record beginning accumulated sick leave	(59,412)	-	-	-	(59,412)
Record beginning accrued vacation	<u>(120,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,268)</u>
Adjusted Fund Balance, June 30, 2002	2,438,963	-	-	1,614,685	4,053,648
GASB 34 Adjustments:					
Capital Assets – Net of Depreciation	20,569,148	-	-	-	20,569,148
Long-Term Liabilities	<u>(14,415,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,415,000)</u>
Accumulated sick leave - long-term portion	(244,600)	-	-	-	(244,600)
Capital lease obligation	(124,114)	-	-	-	(124,114)
Accrued interest payable	<u>(153,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(153,785)</u>
Governmental Activities Net Assets, June 30, 2002	\$ <u>8,070,612</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,614,685</u>	\$ <u>9,685,297</u>

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE B – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE – CONTINUED

The District had a fixed asset inventory taken to comply with GASB 34. This inventory revealed the existence of proprietary fixed assets that have not previously been recorded on the books. Accumulated depreciation was recalculated based on the lives determined by the new fixed asset capitalization policy. Changes as a result of the GASB 34 implementation are as follows:

	<u>Food Service</u>	<u>Non- Major</u>	<u>Total</u>
Fund Balance, June 30, 2002	\$ 408,932	\$ 16,202	\$ 425,134
Additional fixed assets, net of revised accumulated depreciation	<u>(53,019)</u>	<u>-</u>	<u>(53,019)</u>
Adjusted Fund Balance, June 30, 2002	\$ <u>355,913</u>	\$ <u>16,202</u>	\$ <u>372,115</u>

As proprietary funds are already on the accrual basis, no adjustments are necessary for the Statement of Net Assets.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$4,944,261. Of the total cash balance, \$200,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less. All deposits of the District are classified as Category 1.

Cash and cash equivalents at June 30, 2003 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
United Bank	\$ 6,146,966	\$ 4,901,031
National City Bank	<u>43,230</u>	<u>43,230</u>
	\$ <u>6,190,196</u>	\$ <u>4,944,261</u>

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE D – CASH AND CASH EQUIVALENTS - CONTINUED

Breakdown per financial statements:

Governmental funds	\$ 4,417,534
Proprietary funds	137,736
Agency funds	<u>388,991</u>
	\$ <u>4,944,261</u>

NOTE E – INVESTMENTS

The District is allowed by state statute to invest in U.S. government agencies and U.S. treasuries which are obligations of the United States Government pledged by its full faith and credit. The District's investments are categorized to give an indication of the level of risk assumed.

Category 1	Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
Category 3	Deposits which are not collateralized or insured.

The District has investments in United States treasury certificates with a cost of \$11,253,784 and investments in money market funds with a cost of \$5,646,299 for a total of \$16,900,083 held in investments. The cost of these investments approximates fair market value as of June 30, 2003. All investments held by the District are classified as Category 1.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE F – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2003</u>
Cost				
Land	\$ 501,426	\$ 972,692	\$ -	\$ 1,474,118
Land improvements	218,394	-	-	218,394
Buildings	28,160,532	1,239	-	28,161,771
Technology	3,218,166	99,288	(59,474)	3,257,980
Vehicles	2,939,516	173,892	(17,619)	3,095,789
General equipment	680,832	71,692	(2,154)	750,370
Construction in progress	-	685,147	-	685,147
Totals at historical cost	\$ <u>35,718,866</u>	\$ <u>2,003,950</u>	\$ <u>(79,247)</u>	\$ <u>37,643,569</u>
Accumulated Depreciation	<u>Balance</u> <u>July 1, 2002</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2003</u>
Land improvements	48,604	10,920	-	59,524
Buildings	10,247,536	798,529	-	11,046,065
Technology	2,673,133	305,020	(58,959)	2,919,194
Vehicles	1,786,139	221,400	(17,619)	1,989,920
General	394,305	61,112	(1,982)	453,435
Total accumulated depreciation	<u>15,149,717</u>	<u>1,396,981</u>	<u>(78,560)</u>	<u>16,468,138</u>
<u>Government Activities</u>				
Depreciable capital assets	20,067,723			19,016,167
Non-depreciable capital assets	501,426			2,159,264
Total	\$ <u>20,569,149</u>			\$ <u>21,175,431</u>
<u>Business-Type Activities</u>	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2003</u>
Cost				
Food service and equipment	423,069	6,633	(2,332)	427,370
Technology equipment	26,481	-	-	26,481
Totals at historical cost	\$ <u>449,550</u>	\$ <u>6,633</u>	\$ <u>(2,332)</u>	\$ <u>453,851</u>
Accumulated Depreciation	<u>Balance</u> <u>July 1, 2002</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2003</u>
Food service equipment	306,816	28,707	(2,332)	333,191
Technology equipment	18,032	3,924	-	21,956
Total accumulated depreciation	<u>324,848</u>	<u>32,631</u>	<u>(2,332)</u>	<u>355,147</u>
Total business-type activities capital assets, net	\$ <u>124,702</u>			\$ <u>98,704</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1992	4,165,000	5.250% - 5.700%
1994	750,000	4.700% - 6.000%
1996A	215,000	4.875% - 5.650%
1996B	7,675,000	4.200% - 4.300%
1998	6,000,000	1.000% - 4.300%
2003	17,865,000	2.000% - 4.250%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Woodford County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1987 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. As of June 30, 2002 the total bond principal and interest payable was \$14,565,000 and \$5,613,425, respectively. As of June 30, 2003 the total bond principal and interest payment was \$31,255,000 and \$14,647,655, respectively. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2003 for debt service (principal and interest) are as follows:

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS - CONTINUED

	Woodford County School Board		Kentucky School Facility Construction Commission		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2003-04	\$ 692,981	\$ 927,805	\$ 382,019	\$ 146,786	\$ 1,075,000	\$ 1,074,591
2004-05	908,471	1,102,995	401,529	128,590	1,310,000	1,231,585
2005-06	946,634	1,066,625	353,366	111,341	1,300,000	1,177,966
2006-07	975,415	1,033,513	369,585	95,121	1,345,000	1,128,634
2007-08	1,014,819	998,624	275,181	80,447	1,290,000	1,079,071
2008-09	1,049,755	961,700	285,245	67,459	1,335,000	1,029,159
2009-10	1,091,133	922,068	298,867	53,838	1,390,000	975,906
2010-11	1,135,411	877,787	169,589	42,423	1,305,000	920,210
2011-12	1,183,156	829,456	116,844	34,782	1,300,000	864,238
2012-13	1,232,243	776,702	122,757	28,140	1,355,000	804,842
2013-14	1,290,204	719,322	129,796	21,099	1,420,000	740,421
2014-15	1,353,128	658,437	126,872	13,958	1,480,000	672,395
2015-16	1,420,792	592,603	104,208	7,515	1,525,000	600,118
2016-17	1,488,038	521,903	81,962	2,297	1,570,000	524,200
2017-18	1,555,000	457,353	-	-	1,555,000	457,353
2018-19	1,610,000	398,981	-	-	1,610,000	398,981
2019-20	1,675,000	336,341	-	-	1,675,000	336,341
2020-21	1,740,000	269,088	-	-	1,740,000	269,088
2021-2022	1,815,000	197,988	-	-	1,815,000	197,988
2022-2023	1,890,000	122,706	-	-	1,890,000	122,706
2023-2024	1,970,000	41,862	-	-	1,970,000	41,862
	<u>\$ 28,037,180</u>	<u>\$ 13,813,859</u>	<u>\$ 3,217,820</u>	<u>\$ 833,796</u>	<u>\$ 31,255,000</u>	<u>\$ 14,647,655</u>

During the year ended June 30, 2003 the District made additional borrowings of \$17,865,000 and principal payments of \$1,025,000.

WOODFORD COUNTY SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

Year ended June 30, 2003

NOTE H – CAPITAL LEASE PAYABLE

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2003:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2004	\$ 46,549
2005	24,189
2006	12,696
2007	<u>2,404</u>
Total minimum lease payments	85,838
Less: Amount representing interest	<u>(7,343)</u>
Present Value of Net Minimum Lease Payments	\$ <u><u>78,495</u></u>

The leased property under capital leases has a cost of \$49,176.

NOTE I – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2003 as follows:

Year ending June 30:

2004	\$ 27,744
2005	26,602
2006	14,040
2007	<u>12,063</u>
Total minimum payments	\$ <u><u>80,449</u></u>

Rent expense for the year ended June 30, 2003 was \$24,384.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE J – RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"). Funding for the Plan is provided through payroll withholdings of 9.855% and matching state contributions. The matching contributions are paid by the Federal programs for any salaries paid by that program at 12.305%.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 6.34% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$15,725,300. The payroll for employees covered under KTRS was \$11,680,150 and for CERS was \$3,717,014.

The contribution requirement for CERS for the year ended June 30, 2003 was \$421,510 which consisted of \$235,658 from the Board and \$185,852 from the employees. The contribution requirement for KTRS is \$66,553 from the District and \$1,151,077 from the employees. The District's KTRS contribution is paid from federal grant monies for federally funded employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS June 30, 2002	CERS June 30, 2002
Assets available for benefits, at fair value	\$ 13,588,847,000	\$ 6,883,298,951
Pension benefit obligation	15,695,574,000	5,492,646,422
(Underfunded)/overfunded pension benefit obligations	\$ (2,106,727,000)	\$ 1,390,652,529

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2002 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE K - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE L - LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

NOTE M - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

NOTE N - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2003

NOTE O - DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Food Service and Summer Feeding Fund	\$	(90,828)
Building Fund		(67,835)

NOTE P - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE Q - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology Match	\$ 27,614
Operating	Capital Outlay	Debt Service	Debt Service	345,180
Operating	Building	Debt Service	Debt Service	850,482
Operating	Building	Construction	Construction	972,692
Operating	Debt Service	Construction	Bond Proceeds	17,865,000
Operating	Construction	Debt Service	Debt Service	61,138

NOTE R - ON-BEHALF PAYMENTS

For the year ended June 30, 2003 total payments of \$3,042,491 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

NOTE S - COMMITMENTS

During the year ended June 30, 2003 the District entered into a construction contract to build a new middle school. Construction on this project began in May 2003 and is expected to be completed in late 2004. The bond issue was used in 2003 to fund this project as described in Note G.